

# NT BUILDING PRACTITIONERS BOARD

## NOTES ON FINANCIAL REQUIREMENTS FOR REGISTRATION OF BUILDING CONTRACTORS

Under the *Building Regulations* all applicants for registration as Building Contractor (Residential) must provide evidence certified by a registered accountant of Net Tangible Assets to the value of \$50,000.

### What are Net Tangible Assets?

Net Tangible Assets are defined in accordance with recognised Australian accounting standards and should be calculated using the following formula.

$$\text{Net Tangible Assets} = \text{Assets} - \text{Liabilities} - \text{Intangible Assets}$$

The over-riding principle is that only assets which are expected to be capable of being converted into cash in the short term should be included and that any assets which are not held in the name of the applicant or which are secured against a liability of a third party should be excluded. For example, the following assets are considered Tangible Assets and are included in the calculation:

- Property;
- Cash and money held in bank accounts;
- A bank guarantee in favour of the applicant;
- Trade receivables (if collectable);
- Inventory (work in progress, raw materials and finished stock);
- Shares in listed companies;
- Boats (50% of value);
- Plant and equipment;
- Tools of trade (to a maximum of \$10,000); and
- Motor vehicles (50% of value).

For joint assets, show the applicant's share only, eg if a property is owned by the applicant and a spouse 50% of the value of the property and 50% of any mortgage relating to the property are to be used in the Net Asset calculation.

Individual applicants or directors of companies applying for registration are permitted to value assets which are to be relied upon in support of Net Tangible Assets provided those values can be substantiated to the satisfaction of the registered accountant certifying the Net Asset Position. The registered accountant may request a valuation by an accredited, registered or recognised valuer if not satisfied with the applicant's valuation.

### What Assets are Considered Intangible?

The following should be considered as intangible assets for the purpose of the above calculation:

- Goodwill;
- Rights of indemnity;
- Intellectual property such as trademarks and patents;
- Formation expenses;
- Borrowing expenses;
- Shares in unlisted companies;
- Inter-company or shareholder loans; and
- Trust assets.

Liabilities include any debts or obligations which must be paid or settled within a certain period of time or are payable on demand.

### Who is a Registered Accountant?

For the purpose of completing the net Tangible Asset Certification, a registered accountant is a:

- Holder of a public practising certificate from the CPA Australia;
- Holder of a public practising certificate from the institute of Chartered Accountants in Australia;
- Holder of a public practising certificate from the Association of Taxation and management Accountants; or
- Registered Tax Agent.

### Age of Financial Data

The financial data reviewed by the registered accountant and used to calculate Net Tangible Assets must not be more than 12 months old.

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